

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA

In re

BELLACH'S LEATHER FOR LIVING, INC., No. 08-10362

Debtor(s).

Memorandum on Application to Employ Liquidator


The debtor in this Chapter 11 case sought leave of the court to hold a "Special Sales Event" using the services of a professional liquidator. The court declined to grant that motion because of the dubious legality of the sale and the fear that the debtor's bankruptcy status might be used improperly in publicizing the sale. However, the court did not specifically order the debtor not to conduct the sale, there being a question as to whether such sales, which the debtor's principal has testified are not unusual, are outside the ordinary course of business.

The debtor has now asked the court to approve employment of the liquidator as a professional. While the court has no reason to doubt the qualifications of the liquidator and agrees that an employment authorization is appropriate, it still has many concerns over the legality and propriety of the proposed sale. Specifically, it believes that the liquidator may bring in outside inventory to be sold alongside the debtor's merchandise, thereby violating state law. *In re White Crane Trading Co., Inc.*, 170 B.R. 694, 703 (Bkrcty.E.D.Cal. 1994).¹ The court is also concerned about the manner the sale is to be advertised to the public. It also does not understand why the debtor's current employees cannot conduct the sale.

¹The court is also concerned about the liquidator attempting to skirt state law by bringing in outside inventory first and then announcing the sale. While this might not violate the letter of the law, it would nonetheless be a deceptive practice the court does not wish to sanction or facilitate.

1 For these reasons, and in light of the pending motion of the U.S. Trustee to appoint a Chapter 11
2 trustee or convert the case, the court will set this application for further hearing on March 28, 2008, at 9:00
3 A.M., to be heard in conjunction with the U.S. Trustee's motion.

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5 Dated: March 21, 2008

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9 Alan Jaroslovsky
10 U.S. Bankruptcy Judge
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